

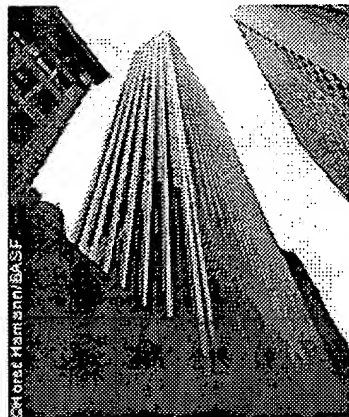
The World Chemical Exchange

Open for Trading at



Home | Exchange Floor | Commodities Floor | Corporate Trading Rooms | Market News | Membership | About
 Company Profile | Our News | Awards | Management | Investors | Events | Careers | Supply Chain Services

Company Profile



ChemConnect Inc. hosts the leading online B2B trading marketplace and information portal for worldwide chemicals, plastics and industrial gas buyers and sellers. The World Chemical Exchange allows Members to trade three different ways. On the Public Exchange Floor, more than 12,000 members, 7,500 companies in

125 countries trade at market prices, post and bid anonymously for all types of products. Corporate Trading Rooms are private online auctions where Members save time and increase profits by negotiating contract and spot deals in timed events managed by a dedicated ChemConnect team. The Commodities Floor allows more than 200 top producers, traders, market makers and end users to buy, sell, and exchange standard, high volume commodity products, online in real time through regional trading hubs.

Members of the World Chemical Exchange gain access to new markets, efficiently negotiate with buyers and suppliers, profit from reduced transaction costs, and obtain up-to-the-minute market information. With its partners and members, ChemConnect is driving the evolution of e-commerce for chemical, plastics and industrial gases buyers and sellers.

ChemConnect continues to dominate as the online marketplace of choice for buyers and sellers of chemicals, plastics, and industrial gases. Since 1995, ChemConnect has grown from a start-up company to a full-fledged operating company. ChemConnect has built a world-class team with more than 1500 years of industry experience, 200 years of technology experience and speaks 30 languages, collectively. These employees, in nine offices around the world, maintain close ties with Members, provide the support and information needed to complete transactions faster, easier, and at better prices than ever before.

The private company has received funding from a number of leading venture capital firms, industry leaders who either produce or sell chemicals, industry analysts and suppliers, and information providers. It makes money by collecting a small percentage of the total cost of each transaction successfully completed on the World Chemical Exchange.

Press Releases

March 14, 2001

[ChemConnect's Commodities Floor Heats Up as the Industry Responds to Volatile Energy Prices](#)

February 26, 2001

[Chemical Industry Leaders Unite at ChemConnect's E-Commerce Roundtable](#)

February 12, 2001

[Frans K.A. Maas Joins ChemConnect](#)

[More News...](#)

Events

CMAI World Petrochemical Conference

John Robinson, CEO will speak on March 28
 March 27 - 29, 2001
 Houston, Texas
<http://www.cmaiglobal.com>

2001 International Petrochemical Conference

Visit ChemConnect in Salon I at the Marriott Rivercenter Hotel
 April 1 - 4, 2001
 San Antonio, TX
<http://www.npradc.org/>

[More Events...](#)

Corporate Facts

[Click here for our Corporate Fact Sheet](#)

Company	ChemConnect, Inc.
Date Founded	1995
Locations	<u>Offices located around the world.</u>
Products Traded	60,000 chemicals, plastics and industrial gases.
Membership	Over 12,000 Trading Members in 125 countries. 33 <u>Charter Members</u> have named the World Chemical Exchange their preferred third party exchange.
Board	ChemConnect has both a <u>Board of Directors</u> and an <u>Advisory Board</u> .
Investors	ChemConnect has raised over US\$105 million to date from Chemical Industry, Technology + Venture Capital <u>Investors</u> .

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Press Releases

ChemConnect raises \$30 Million in Second Round Funding

Weiss, Peck and Greer, Goldman Sachs, CMEA Ventures, Highland Capital Ventures among new investors financing world's largest global Internet exchange for all types of chemicals.

SAN FRANCISCO, August 9, 1999: ChemConnect, Inc. (www.chemconnect.com), the largest global Internet exchange for all types of chemicals, today announced a successful second round of capital funding totaling \$30 million. Co-leads were Weiss, Peck & Greer and Goldman Sachs. Christopher J. Schaepe, a general partner of Weiss, Peck & Greer, will also join the ChemConnect Board of Directors to represent the new investors. ChemConnect's original capital partner, Institutional Venture Partners (IVP), also participated, as did Chemical and Materials Enterprise Associates (CMEA) Ventures and Highland Capital Ventures.

These industry-leading investment firms agree that ChemConnect brings a new, dynamic e-commerce model to the chemical industry.

"To date, chemical electronic marketplaces have solely focused on a narrow segment of the overall chemical market such as petrochemicals or research chemicals. The methods for selling and purchasing these chemicals have also been limited to fixed-price online catalogs, distributors' web sites, or private clubs that require special membership fees," said Christopher J. Schaepe of Weiss, Peck & Greer Venture Partners. "We believe that ChemConnect is the category leader of the next generation of e-commerce for the chemical industry. ChemConnect's World Chemical Exchange is a true exchange with dynamic pricing driven by the global market of many buyers and sellers."

"Chemical companies recognize the tremendous value of e-commerce and are exploring new and innovative ways to leverage the Internet to expand their reach," said Randy Blumenthal, vice president, Goldman Sachs. "ChemConnect's vision of a global, online trading community complements the purchasing and distribution strategies of both chemical buyers and sellers - all of whom can benefit from a world market where a wide variety of chemicals can always be found."

"Increased market competition and the drive to cut overall costs create the need for the kind of efficiencies that a realtime, global chemical marketplace can provide," said Thomas R. Baruch, CMEA Ventures' founder and general partner. "ChemConnect's integrated system of electronic commerce is uniquely suited to substantially reduce transaction costs for the chemical value chain. The Company also has the right combination of domain expertise, logistics knowledge, product diversity and business infrastructure to be the premier exchange for the entire industry."

Today, ChemConnect is the world's largest Internet chemical exchange with over 10,000 users. The Company provides an open, neutral market for chemical manufacturers, buyers and intermediaries to conduct real-time, online transactions for all types of chemicals. In addition to hosting billions of dollars in transactions, ChemConnect also provides industry news and information to thousands of customers worldwide. "With the backing of these top investors and our experienced senior management team we're moving quickly to take advantage of this dynamic market," said John Beasley, ChemConnect CEO. "There are millions of chemical buyers and hundreds of thousands of sellers all of whom trade and purchase large quantities of chemicals. With the size of the market opportunity and the large number of buyers and sellers executing multi-million dollar transactions, we believe that ChemConnect's World Chemical Exchange will become the largest business-to-business Internet exchange in the world."

ChemConnect is using the money raised to further develop and market the exchange and to expand company operations worldwide.

About Weiss, Peck & Greer

One of the oldest and most active venture capital firms in the United States, San Francisco-based Weiss, Peck and Greer manages \$700 million of committed capital. The partnership serves as lead investors in early and expansion stage companies in the areas of e-commerce, software and communications infrastructure. Representative investments include Brocade Communications, Ciena, Doubleclick, eMusic.com and Phone.com

About Goldman Sachs

Goldman Sachs is a leading global investment banking and securities firm, providing a full range of investing, advisory, and financing services worldwide to a substantial and diversified client base, which includes corporations, financial institutions, governments, and high net worth individuals. Founded in 1869, it is one of the oldest and largest investment banking firms.

About CMEA Ventures



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About CMEA Ventures

9/9/1 (Item 1 from file: 9)
DIALOG(R)File 9:Business & Industry(R)
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02598227 Supplier Number: 25059369 (THIS IS THE FULLTEXT)

Elemica calls in the big guns (E-commerce)
(E-commerce expected to thrive for chemicals)

Chemical Week, v 163, n 43, p 44(1)

November 21, 2001

DOCUMENT TYPE: Journal ISSN: 0009-272X (United States)

LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 851

TEXT:

D'Amico, Esther

THE DOT-COM PARTY MAY BE OVER, BUT CHEMICAL INDUSTRY e-commerce will thrive, say surviving industry-sponsored consortia and third-party sites. Companies that have already made big investments in building ERP systems and corporate Web portals will increasingly use these technologies to conduct business transactions via online consortia and exchanges, they add. Doing so helps companies reach more customers and substantially cuts transactions costs, the dot-coms say.

Industry-sponsored hub Elemica brought out some of its big guns, including founding members Atofina, BASE Bayer, Dow Chemical, and Shell, to make that point at a conference it held last month in Philadelphia. Dow and Bayer even sent letters to key suppliers asking them to use Elemica. The "aggressive move" was to boost Elemica's transaction volumes and thereby increase its chance of success in this rough economic environment, analysts say. It also shows how competitive Elemica has become against its chief rival, **ChemConnect**'s Envera, they add. Chemical Week Associates, which publishes CW, has an equity stake in **ChemConnect**.

ChemConnect "has been very aggressive at cutting overall costs, staff, and overhead, and certainly its cash burn rate," says Leif Eriksen, analyst at AMR Research (Boston). "Envera is still in the game, though it is facing a much more aggressive Elemica than it was" before June when **ChemConnect** bought Envera, says Eriksen. Suppliers, however, "have a lot of work to do yet" in establishing a technology platform to use these sites, he says. "There are costs connected with getting set up to use Elemica, so suppliers have a legitimate argument in today's economic environment for saying, 'I'm not ready for this and can't afford to make the investment.'"

Elemica acknowledged that problem, but it says its hub, which acts as a back-office **clearinghouse**, cuts costs by providing an alternative to expenses associated with certain e-business tools, such as purchase order processing. Chemical companies have become more cautious and most are cutting costs, says Stewart H. McCutcheon, Elemica chief technology officer. But Elemica "is a way to get efficiencies across the industry and drop our costs down," says McCutcheon.

"In this environment, you are going to be very selective in the investments you make," says Andy Dupont, Dow Chemical global director/electronic channels. "But you will still spend." Dow's largest e-commerce investment to date is establishing its extranet, MyAccount@Dow, which should have conducted about \$1 billion in sales by year-end, says Dupont. Dow is concentrating on "getting customers and suppliers linked to

us through either MyAccount or through Elemica," he says.

Bayer also expects to conduct a "big portion" of e-business transactions through Elemica, says Henning Schwinum, head/global project management team for implementing Elemica at Bayer. "Some e-business will be through Web browsers and extranets, and some through phone and fax," depending on the customer's wishes, says Schwinum. Only Bayer's chemicals and polymers business units are using Elemica to conduct transactions at present, though Bayer's Agchems unit plans to eventually use the site as well, he says.

Bayer also has invested in developing its extranet, BayerOne, as well as other e-business sites, including ElastomerSolutions, which Bayer helped to create last year. Elemica acquired ElastomerSolutions in August. Bayer also is a founder and investor in plastics exchange Omnexus; and maintenance, repair, and operation (MRO) exchange chemplorer, which merged in March with MRO hub cc-markets to form cc-chemplorer.

Customers, meanwhile, want the numerous business-to-business (b2b) trading hubs--such as Elemica, the auto industry's Covisint, and the retail sector's Transora--to connect with one another so that customers using one exchange can buy and sell, or collaborate with business partners that use another exchange, says Peter H. Wolf, e-business leader/corporate purchases at Procter & Gamble, which is a founder of Transora.

"I want to connect with Transora once and reach my retail customers and my supplier base," says Wolf "That way I don't have to make lots of one-to-one connections with each of these companies, which would be time consuming." Connectivity to multiple exchanges, however, is difficult to implement and costly for each exchange, he says. It requires each to have a uniform and secure IT infrastructure to integrate numerous technologies--such as ERP and customer relationship management systems, as well as collaboration and catalog management software-- which may or may not be compatible.

It also requires each exchange to have a common language protocol--such as an extensible markup language (XML) for managing diverse trading preferences, analysts say. There are numerous XML protocols for b2b transactions, which makes it a challenge to implement links across any one industry, they add. Even within XML protocols there are difficulties. CIDX's version 2.0.1 of its chemical industry Chem eStandards XML -based technology is not compatible with version 2.0.0.

Still, many exchanges say a lot of R&D is going into establishing connectivity to multiple exchanges. Elemica says it has "had discussions" concerning such links with Covisint and Transora; it has no plans on linking to Envera, however.

Envera, however, is interested in connecting to multiple exchanges and would even pursue such a link to Elemica, "if it makes sense," says Michele B. Hincks, director/marketing at ChemConnect . She would not comment further. Envera told CW last year that it planned to link with other exchanges, including Elemica (CW Oct. 4, 2000, p. 43).

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**Elemica Announces Direct ERP Connection Now Available;
Investors to Connect First, More Customers to Follow Soon**

Additional Services to be Added in Third Quarter

Philadelphia and Frankfurt, Germany – April 23, 2001 – Elemica, a neutral network founded by the world's leading chemical companies to serve the global chemical industry, today announced its Connected Solution (ERP-to-ERP network) is available to its 22 investors and will soon include companies outside its investor base. This offering allows Elemica trading partners to connect buyer and seller ERP systems together through the Elemica network. Elemica will initially focus on connecting investor companies, then rapidly add companies outside the investor base.

“Connectivity is a top business priority for Elemica and our investors,” said Kent A. Dolby, president and CEO of Elemica. “Elemica will provide the focal point of seamless connectivity for the chemical industry. A single connection to Elemica will link our customers to hundreds and eventually thousands of companies, business units and customers linked to the Elemica network as buyers and sellers,” he continued. “When an ERP connection is made to Elemica, no further connection is necessary. Each connecting company or business unit will have access to all other businesses connected to the Elemica network.”

Utilizing state of the art technology, the Elemica™ Connected Solution is the connectivity infrastructure for the industry. In this initial release of the Connectivity Solution, Elemica uses the industry standard Chem XML 2.0 standards to support the Order Management Process. Elemica manages the secure, scalable and reliable message delivery. By connecting to the Elemica network, chemical buyers and sellers can avoid the costly point-to-point integration with each of their trading partners and will significantly reduce their order management cost.

Currently, many chemical manufacturers are developing supply chain optimization within their enterprise. Future releases of the Elemica™ Connected Solution will support supply chain and logistics processes, enabling optimization across multiple enterprises resulting in significant supply chain savings.

According to CTO Stewart McCutcheon, Elemica has completed significant testing for more than a month. “Not only are our systems ready to scale reliably, we have conducted e-readiness evaluations jointly with our clients. We are working end-to-end to ensure a successful startup for our clients. The testing process simulates live production messages, enabling Elemica to gather, configure, migrate, and verify data prior to full connectivity,” McCutcheon stated. “User acceptance testing helps to resolve initial concerns in direct ERP-to-ERP connections,” said McCutcheon. “It also provides the foundation so multiple transactions between buyers and sellers can flow seamlessly through the network.”

- more -

Connected Solution Release, Page 2

About Elemica

Elemica is a premier global neutral network for the contract buying and selling of chemicals. The company will offer an integrated, end-to-end system, enabling buyers and sellers to streamline their business processes for contract sales and improve negotiation, contract management, order fulfillment and payment. Elemica's comprehensive solution creates powerful efficiencies and offers support that extends from pre-sales through negotiation and contracting, and continues through the transaction, supply chain, and after-sales processes. Phased rollouts of full integration services are scheduled for 2001.

The e-marketplace's 22 investors include: Air Products and Chemicals, ATOFINA, BASF, Bayer, BP, Brenntag, Celanese, ChemCentral, Ciba Specialty Chemicals, Degussa, The Dow Chemical Company, DSM, DuPont, Millennium Chemicals, Mitsubishi Chemical Corporation, Mitsui Chemicals, Rhodia, Rohm and Haas, Shell, Solvay, Sumitomo Chemical and Vopak.

/9/1 (Item 1 from file: 9)
DIALOG(R) File 9:Business & Industry(R)
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01743277 Supplier Number: 24519014 (THIS IS THE FULLTEXT)

Vertical Industry Portals -- Trading Hubs Take Off

(Experts claim the Internet has 150 vertical industry portals in various states of development, which generated \$280 mil in revenues in 1998 and are expected to generate \$20 bil by 2002)

InternetWeek, p 1

January 25, 1999

DOCUMENT TYPE: Journal ISSN: 0746-8121 (United States)

LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 1202

ABSTRACT:

Experts claim the Internet has 150 vertical industry portals in various states of development. Such sites generated \$280 mil in revenues in 1998 and are expected to generate \$20 bil by 2002, according to an about-to-be-released report from Volpe Brown Whelan. In 1998, sales volume on the sites rose to \$753 mil and may reach \$211 bil in 2002. By comparison, the overall business-to-business Internet **marketplace** was worth \$43 bil in 1998 and may reach \$843 bil by 2002, according to estimates from Forrester Research. One of the portal companies, Neoforma, a medical trading hub, has brought together 13,000 suppliers of hospital and medical supplies and 70,000 buyers from 7,500 health care entities since it was launched in 12/97. Another trading hub, Chemdex, has attracted 130 suppliers. Customers for its scientific research materials include Genentech Inc and Harvard University, which can order from a catalog of 300,000 products. The site, which went live in 10/98, now handles \$10,000 sales per day. These sites, as well as the sites from PaperExchange.com, Metalsite, and the National Transportation Exchange, are discussed in more detail in the full-text article.

TEXT:

By: Saroja Girishankar

Maybe you don't have to spend mountains of cash to develop extranet catalogs after all.

Dozens of new ventures will gladly take the mammoth task off your hands for a cut of the loot. They are setting up business trading hubs aligned with specific vertical sectors such as health care, metal manufacturing and trucking that give buyers a one-stop shop for their procurement needs, and give sellers a faster way to reach customers on the Web.

"The vertical marketplaces will be the driver of business commerce in the next five years," said Charles Finnie, who tracks e-commerce as managing director of investment bank Volpe Brown Whelan & Co.

Business models vary, but the bigger portal services take a 5 percent to 10 percent cut of transactions. That compares with traditional acquisition costs as high as 40 percent for sellers in the physical space, analysts said. Executives said the savings are often passed on to customers as lower prices. The sites also sell advertising and market reports.

Experts estimate that there are 150 such sites in various stages of development. They generated revenue of \$290 million in 1998, with expected

growth to nearly \$20 billion by 2002, according to a forthcoming Volpe Brown Whelan report.

How They're Doing

Sales volume on the sites reached \$753 million last year and is expected to surge to \$211 billion in 2002. That compares with an overall business-to-business Internet **marketplace** of \$43 billion in 1998 and an estimated \$843 billion by 2002, according to Forrester Research projections.

Jeff Kleck, CEO of Neoforma, a medical trading hub that launched in December 1997, said his company has brought "together 13,000 suppliers of hospital and medical supplies and 70,000 buyers belonging to 7,500 health care entities, something that has never been possible before."

The benefits are already noticeable to Neoforma clients.

For Sklar Instruments, a leading maker of surgical instruments, the Neoforma site provided an immediate way reach a global market. Sklar sells only through distributors, and the leads from the Neoforma site are passed on to its distributors.

"Neoforma did everything from digitizing our catalog to creating a Web site for us, and gave us the ability to receive request for quotations," said Douglas Kramer, a Webmaster at Sklar. "The biggest advantage was giving us access to the international market."

Some of these sites merely display items for sale, while others let buyers order products from **electronic** catalogs, pay for them electronically and track the order to fulfillment. Some, such as MetalSite for the steel industry and Neoforma, hold auctions to clear out used and surplus materials.

Some sites even help sellers link their back-end systems to the site, allowing for real-time inventory checks and fully integrated accounting.

Chemdex, a trading hub for scientific research materials, has attracted 130 suppliers, according to CEO Dave Perry. Customers include pharmaceutical company Genentech Inc. and Harvard University, whose employees can order from a catalog of 300,000 products and pay for them online using Secure Sockets Layer technology. A server-side Java application connects the Chemdex sites to suppliers' back-end inventory management systems.

The site went live last October and now handles more than \$10,000 in sales per day, Perry said.

MetalSite debuted in December with three suppliers and already has processed orders for 100,000 tons of steel, valued at \$30 million. The company so far has registered 600 individual buyers from hundreds of companies.

MetalSite uses commerce management applications from Trade'Ex **Electronic Commerce Systems Inc.**, Oracle databases and the Cold Fusion application server from Allaire Corp. for developing content. Unlike Chemdex, which aggregates products from different suppliers and handles payments, MetalSite brings buyers and sellers together directly. Integration of back-end systems on both the **buyer** and **seller** side will come by year's end, officials said.

Key Ingredients

David Mason, who tracks e-commerce trends as president of Northeast Consulting Resources Inc., said key ingredients for success will be the ability to provide robust services, such as order tracking, bill presentment and payment through a series of automated processes to both **buyer** and **seller** sites. Customers also will require support for internal approval processes, procurement rules and built-in terms that reflect negotiated rates, Mason said.

Neoforma, which sells hospital supplies and provides facilities planning services, has developed software interfaces, called Vendor Management System interfaces, that let individual suppliers maintain and update their respective catalogs in real time.

Neoforma also is using Java and LDAP technologies for its directory and catalog management operations. It plans to add order tracking and credit card payments later this year.

Sites that have been operating for months or years, such as the National Transportation Exchange for the trucking industry or Paper-Exchange for paper products, are busy adding suppliers to their rosters to capture a slice of markets worth hundreds of billions of dollars per year.

"These vertical sites will have more data about their whole (vertical) markets than anyone else, and that by itself makes them real power centers in the value chain," Mason said.

At the same time, some suppliers may be cautious about letting a third party represent their businesses and control the front door to the sales office, especially when competitors reside on the same sites.

MetalSite CEO Patrick Stewart said the company has recruited independent auditor Arthur Andersen & Co. to qualify its business practices twice a year. LTV Steel, one of the suppliers on MetalSite, seems confident that its interests would not be jeopardized.

"Our company data and pricing is secured, and our competitors cannot see and access that data on MetalSite," said Francis Mangano, general manager of LTV Steel, the third-largest integrated steel producer in the United States.

In fact, three of the major suppliers on the MetalSite portal have taken equity stakes in the venture as a way to expand their primary businesses and ensure their interests are represented.

Unaddressed Issues

There are still a number of issues to be hammered out by the portal sites. In many cases, the technology architectures are bare-bones, and standard data formats have not been defined.

Analysts said these issues and others must be addressed before the portal model can gain steam as a conduit for industrial-strength **electronic** commerce between large businesses.

The portals also may not offer enough value to attract companies that are already far along on their own self-hosted catalogs.

For instance, BOC Gases, a leading supplier of industrial gases, must maintain tight relationships with its customers because of the potential safety hazards of its products, and the need to track and collect used

cylinders. Tracking, servicing and refilling orders require more than one-time shopping functionality.

"We have chosen to build our own e-commerce model that involves tight relationships with supply-chain partners and customers because the nature of our business demands tight control and tracking of all aspects of the business from order-taking, shipping, tracking and payment," said Fulton Wilcox, director of technical business development at BOC Gases.

But even Wilcox does not rule out joining a portal for subsets of his business down the road.

Industrial-Strength Portals

Notable trading hubs

Site	Participants	Description
Chemdex Corp. chemdex.com	135 suppliers with 300,000 products	Procurement service for chemical and biological agents
MetalSite metalsite.com	3 leading supplies	Catalog and ordering system for steel buyers
Neoforma Inc. neoforma.com	13,000 suppliers and 7,500 buyer organizations	Catalog of health-care equipment
PaperExchange.com paperexchange.com	40 suppliers and and 500 buyer organizations	Catalog, ordering and freight services for the paper industry
The National Transportation Exchange nte.net	350 suppliers, including carriers and consignors	Trucking freight services

Source: InternetWeek

3/9/8 (Item 4 from file: 13)
DIALOG(R) File 13:BAMP
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00678092 Supplier Number: 25471331 (THIS IS THE FULLTEXT)
E-commerce is expanding -- slowly, mostly in chemicals, Part 2 of 2
(Although a number of producers, distributors and third-party marketplaces have the Web sites to make it possible, business-to-business commerce in industrial commodities has been slow to catch on)
Article Author(s): Stundza, tom
Purchasing, v 127, n 6, p S14-S29
October 21, 1999
DOCUMENT TYPE: Journal ISSN: 0033-4448 (United States)
LANGUAGE: English RECORD TYPE: Fulltext; Abstract
WORD COUNT: 2098

ABSTRACT:

The business-to-business commerce in industrial commodities on the Internet is a slow-developing market. To cite, even if a significant number of commodity buyers are using the Internet to research supply, only 9% of the buyers polled by the "Purchasing" magazine actually purchase metals and only 12% buy chemicals and resins on the Web. Such reluctance on the part of the buyers is being attributed to the lack of Web sites that offer detailed supply and price information that would make buyers totally comfortable with e-commerce as a sourcing strategy. In addition, a great number of commodity executives also showed hesitance to commit big capital expenditures into e-commerce until such time when they see bottom-line results. Despite this analysts believe that sooner or later, sellers and buyers in manufacturing industries will see benefits in sales online, including the reduction of just-in-case inventory, finding new supplies, and making price comparisons. Also, it would be very likely that buyers will gain access to objective, reliable information on product quality, price, availability, and alternative sources.

TEXT:

Different sites, different niches

PaperExchange, which also is known online as PEx, "has experienced consistent increases in site activity since it opened up its exchange from containerboard to other major paper grades in May," according to Robert K. Kraft, chairman of the Kraft Group (and the New England Patriots football team) and the Web site's founding investor. He says the site now has well over 1,500 registered members in 65 countries, and notes the pulp and paper industry's only paper and packaging exchange "has completed multiple transactions in all major grades of paper" in less than six months.

photo omitted

"PaperExchange represents the first major milestone in a fundamental revolution, just now under way, which should dramatically alter the way paper is bought and sold over the next decade," says Ray Funderburk, marketing director. "By aggregating buyers and sellers from around the world, we believe PaperExchange offers previously impossible efficiencies to both buyers and sellers."

e-Chemicals Inc., the first e-commerce-based distributor of industrial chemicals via the Internet, also has become the first **marketplace** to be accepted into SOCMA, the Synthetic Organic **Chemical** Manufacturers Association. SOCMA represents the interests of more than 300 member companies, encompassing every segment of the **chemical** industry from small

specialty producers to large multinational corporations. "With the emergence of the Internet as a new distribution channel for the **chemical** industry, we have taken a leadership position as the first e-commerce-based member of SOCMA," says Jim Alampi, president and CEO of Ann Arbor, Mich.-based e-Chemicals. "As a leader, e-Chemicals is dedicating resources and making the commitment to our customers and suppliers that our business practices meet the highest standards found in the **chemical** industry."

e-Chemicals sells and delivers industrial chemicals in small-quantity orders through strategic agreements with such suppliers as Huntsman DuPont Specialty Chemicals, Elf Atochem North America, Noranda DuPont, Scheel, Sybron Chemicals, and Witco. The firm's commerce-enabled Web site is electronically linked with Yellow Freight to provide logistics services and reliable deliveries. SunTrust Banks processes credit, collections, and accounts receivable. At present, e-Chemicals sells salts, scale inhibitors, sealants, silicates, solvents, stabilizers, surfactants, terpenes, thermal fluids, and thickeners.

By contrast, CheMatch bills itself as "the first anonymous interactive Internet-based trading exchange for bulk commodity chemicals." This Web site brings buyers and sellers of standard bulk commodity chemicals together to engage in real-time confidential trades. "This makes it possible to execute significantly more trades faster than the traditional phone/fax system," explains Carl McCutcheon, CheMatch CEO. Since inception in February of 1998, CheMatch has facilitated the sales of \$100 million worth of products. McCutcheon cites a "recent record trading day" in which 90,000 barrels of product valued at \$3 million were transacted.

Matt Frye, VP, believes that CheMatch offers "a unique value proposition to the **chemical** industry" because it's system allows for anonymous negotiations and trading, "which provides market transparency and true market pricing." Under the CheMatch online system," he adds, "buyers and sellers can use the system for instant market-based price discovery, and anonymity allows users to move in the market without moving that market."

David Perry, CEO of Chemdex, says that the online company has agreements to act as a middleman for 100 catalog marketers of laboratory chemicals. Suppliers set prices for chemicals sold through Chemdex, and none has yet set prices higher than what's listed in their catalogs. As was reported earlier this year, Perry contends the Internet market for lab chemicals has the potential to grow to \$4 billion in annual sales.

ChemConnect has been running Web-based bulletin boards to support bulk **chemical** sales for four years, accounting for more than \$15 billion in transactions. These transactions have involved large--i.e., tanker-sized--shipments of raw chemicals bought and sold by such major industry players as Bristol-Meyers-Squibb, Exxon **Chemical**, and Mobil **Chemical**. ChemConnect this year expanded into an open commodity **chemical** exchange, which now has 10,000 members who post an average of 2,500 orders every month. John Beasley, ChemConnect's CEO and co-founder, says, "the exchange represents a revolution for the **chemical** industry because it creates sourcing efficiencies and speeds up transactions."

Just last month, Eastman **Chemical** made an equity investment in ChemConnect, which Beasley says "represents the first in a series of major **chemical** industry endorsements of ChemConnect's pioneering role in facilitating online business-to-business transactions for the \$1.6 trillion worldwide chemicals trade." Shaun Andrikopoulos, director of Internet research for investment house Deutsche Banc Alex Brown, adds that "inviting

major companies to invest in the World **Chemical** Exchange, and participate in the Technology Roundtable, is a good example of ChemConnect's innovation in online **chemical** trading." He contends that "by allowing industry leaders to become stakeholders, ChemConnect is demonstrating its clear willingness to work with buyers and sellers worldwide;"

ChemConnect's World **Chemical** Exchange complements and expands on e-commerce capabilities for **chemical** industry companies of all sizes, notes Andrikopoulos, because it moves beyond proprietary company Web sites and existing catalog aggregator and auction e-commerce models. Atop that, "industry participation is critical to the success of new online world e-markets," says ChemConnect's Beasley. He contends that participation by Eastman and other **chemical** firms "complement existing sales channels, offer all participants an opportunity to expand their market reach and get competitive prices for their products, and establish new relationships between suppliers and buyers worldwide;"

Analyst Varda Lief of Forrester Research in Cambridge, Mass., says Web-based exchanges "are a good fit at the commodity level of the supply chain, where pricing is based mostly on supply and demand, as long as the exchange remains a neutral third party." These exchanges already have taken hold in the electric and natural gas markets, because prices there already fluctuate with supply and demand.

Where is metal going?

Spot--i.e., non-contract--sales of steel, for example, account for 45%-50% of annual sales. Distributors, service centers, processors, and traders handle sales. That's the competition for e-commerce marketplaces. And it may be hard for these neutral parties that facilitate transactions to become a supply force, says Adam J. Fein, a consultant at Pembroke Consulting in Philadelphia. "Metals are highly freight- and time-to-receipt-sensitive products, maintaining the need for local stocking," he says. "Service centers provide a variety of value-added, customer-specific processing functions. In contrast, online companies don't provide these kinds of functions. These companies do not take possession or ownership of product, do not provide technical support, and do not perform value-added processing functions."

photo omitted

Thus, continues Fein, "the online companies will pose little threat to a service center's traditional business." He adds that these Web sites also add little value for continuous supply relationships between mills, distributors, and manufacturers. "Given the importance of supply availability, most major steel users have long-term supply arrangements based on reliability and consistency, not exclusively on unit price."

Still, there are metals e-commerce marketplaces with exchange/auction operations online or under development for near-term launch.

Only a year old, the MetalSite online **marketplace** has grown from three steel mill sellers in 1998 (Weirton Steel, LTV Steel, and Steel Dynamics) to 4 steel producers (now including Bethlehem Steel) and 13 service centers (including Ryerson Tull, the largest in North America). And the site has increased monthly tonnage commitments from 20,000 tons in late 1998 to more than 120,000 tons/month, representing \$35-\$40 million in available product. Patrick B. Stewart, president and CEO, says "MetalSite pioneered **electronic** commerce in the metals industry, changing forever the way metal products are purchased and sold by establishing the industry's first online

marketplace for surplus product and developing the QuickBid auction, the fastest way to locate and bid for metals on the Web."

Now, MetalSite is developing first online steel products catalog, with implementation scheduled for the fourth quarter of 1999. "The catalog, designed to each sellers' unique offerings, will support a price list, contract pricing and online negotiations for accepting, rejecting and countering offers," says Stewart. "We are always looking to the future, and our vision for the new millennium is to continue to build solutions for the entire supply chain, linking all buyers and sellers online, whether you're selling iron ore or purchasing steel studs--thereby creating the new 'value chain;'"

Michael S. Levin, Chairman & CEO of e-Steel agrees. " **Electronic** commerce allows choice and one-to-one relationships that give birth to new value creation options. My analysis of the steel business has led me to believe that e-commerce is central to 'new value' creation by mills and distributors." Levin reckons that "the amount of business that ultimately will move to the Web will likely surpass even today's wildest speculations because the Internet offers the opportunity to improve customer satisfaction."

Shortly after e-Steel opened its exchange in early September, processor and distributor Worthington Steel purchased prime production-grade hot-rolled sheet in coils from trader Cargill Ferrous International. Levin says, "this marked the first time that prime steel was specified, sourced, negotiated, and purchased online via an Internet-enabled neutral **marketplace** ." Through e-Steel's "SteelDirect" feature, buyers may send inquiries to one supplier, several preferred suppliers, or to a universe of potential suppliers. They can search for product that meets their requirements and enter into direct one-to-one negotiation with the supplier online. When both parties are satisfied with the terms, a deal is concluded.

Another metals-for-sale vehicle called MetalShopper is online at www.metalshopper.com. This site features listings of prime and excess metal provided by mill producers, service centers, machine shops, fabricators, and importers. Marc Stolfi, marketing director, says the site "has been designed to give large and small buyers a simple, efficient way to locate and buy a wide range of metal products." MetalShopper offers a place where service centers and others can list and potentially sell excess and prime material. It has listings for aluminum, brass, copper, nickel alloys, steel and steel alloys, stainless steel, and titanium secondary materials.

The firm's Web site also has expanded beyond metals by creating an Industrial & Metals Bookstore, which links to other sites where other goods--from office products to plastics, from machine tools to travel services--can be purchased. "We've not only saved the business **buyer** from surfing from site to site, we've saved them time by preorganizing the products they need," Stolfi says.

What began as an informational Web site has turned into an e-commerce vehicle at MetalSales at www.metalsales.com. The site still allows users to tell potential suppliers what they want to buy in various grades--rectangular tube, pipe, angle, coil, square tube, plate, fiat bar, round tube, wide-flange beams, channels, bar grating, and round bars. But it now also lists products available for sale; and the asking price, for both prime and secondary material. Buyers interested in buying specific products can call specified 800 number or send a fax or e-mail with the

specific product number to initiate a buy. The site also provides a hard-to-find location system of overstocked, damaged, or discontinued items.

MetalWorld is an online information-trading site at www.metalworld.com, offering free buy/sell/trade listings in various categories such as copper, brass and bronze, aluminum, magnesium, zinc, tin, lead, iron, steel, and exotic metals. Listings are carried for 15 days in bulletin-board style. If interested, a **buyer** or **seller** can use e-mail to receive more information or negotiate a sale.

Electronics sites lead the way

It may be taking a while for Web sites that sell basic raw materials to get off the ground in the brave new world of e-commerce, but the same cannot be said for sites that deal with **electronic** components and other high-tech products. Here's a sampling of sites for buyers of **electronic** components, many of which are capable of e-commerce:

www.aice.com

(American IC Exchange)

www.arrow.com

(Arrow Electronics)

www.class-ic.com

(Classic Components Corp.)

www.digikey.com

(Digi-Key Corp.)

www.FastParts.com

(FastParts.com)

www.kentcompnents.com

(Kent Electronics)

www.necx.com

(NECX)

www.NetBuy.com

(NetBuy)

www.newark.com

(Newark Electronics)

www.partminer.com

(PartMiner)

www.samsungsemi.com

(Samsung Semiconductor)

www.samtec.com

(Samtec USA)

www.virtualchip.com

(Virtual Chip Exchange)

www.wedoems.com